

FINANCIAL REPORT
VILLAGE OF BOYNE FALLS
FEBRUARY 28, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Boyne Falls	County Charlevoix
Audit Date 2/28/05	Opinion Date 8/22/05	Date Accountant Report Submitted to State: 9/27/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

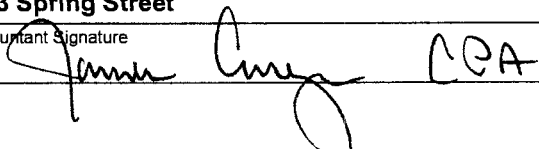
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☒ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Hill, Schroderus & Co., LLP			
Street Address 923 Spring Street		City Petoskey	State MI
Accountant Signature 		ZIP Code 49770	Date 9/27/05

**VILLAGE OF BOYNE FALLS
FINANCIAL REPORT
February 28, 2005**

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	i-v
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	6
Statement of Revenues, Expenditures, and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Proprietary Funds:	
Statement of Net Assets	9
Statement of Revenues, Expenses, and Changes in Fund Net Assets	10
Statement of Cash Flows	11
Notes to Financial Statements	12-21
Required Supplementary Information	
Budgetary Comparison Schedules:	
General Fund	22
Major Street Fund	23
Local Street Fund	24



Hill • Schroderus & Co., LLP

Certified Public Accountants & Consultants

August 22, 2005

Independent Auditors' Report

Village President and Council
Village of Boyne Falls
Charlevoix County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activity, and each major fund of the Village of Boyne Falls, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

We were unable to obtain sufficient competent evidential matter as the result of inadequate accounting records.

Management has not recorded general capital assets in governmental activities and, accordingly, has not recorded depreciation on those assets. Accounting principles generally accepted in the United States of America require that those general capital assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

Management has not included the Boyne Falls Polish Festival Committee in the Village of Boyne Falls, Michigan financial statements. Accounting principles generally accepted in the United States of America require the Boyne Falls Polish Festival Committee to be presented as an enterprise fund and financial information about the Festival Committee to be part of the business-type activities, thus increasing that activity's assets, liabilities, revenues, and expenses. The amount by which this departure would affect the assets, liabilities, revenues, and expenses of the business-type activities and the omitted fund is not reasonably determinable.

In our opinion, because of the effects of the matters discussed in the preceding three paragraphs, the financial statements referred to above do not present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, and each major fund of the Village of Boyne Falls, as of February 28, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 1, 2004.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hill, Schroeder & Co.

CERTIFIED PUBLIC ACCOUNTANTS_____
Petoskey, Michigan

VILLAGE OF BOYNE FALLS

Management's Discussion and Analysis

Overview of the Basic Financial Statements

The Village of Boyne Falls' basic financial statements include government-wide statements, fund financial statements and notes to the financial statements. This report also contains required supplemental information in addition to the basic financial statements. Because this is the first year of implementation of GASB Statement No. 34, prior year numbers are not presented within the Management's Discussion and Analysis. A comparative analysis will be provided in future years when prior year information is available.

Government-wide Financial Statements

The government-wide financial statements report information on all of the Village's non-fiduciary funds. The government-wide statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The Statement of Net Assets displays all of the Village's assets and liabilities, with the difference reported as net assets. All long-term assets and debt obligations are presented.

The Statement of Activities focuses on the gross and net cost of the various functions within the Village (general government, public safety, public works, etc.), which are supported by program revenues (water usage charges, etc.) and general revenues (property taxes, state shared revenues, etc.).

Fund Financial Statements

The fund financial statements report on the governmental funds and proprietary funds, with an emphasis on major funds. Major funds are determined by the level of activity within the various funds. All of the Village's governmental funds have been reported as major funds.

The focus of the governmental fund financial statements is on the sources and uses of funds during the current year.

The proprietary fund financial statements present information as it would appear for a private-sector business.

The Village of Boyne Falls maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Major Street and Local Street Funds. These are the Village's governmental funds.

Notes to the Financial Statements

The notes provide additional information which is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

The table below summarizes the Village's net assets as of February 28, 2005:

VILLAGE OF BOYNE FALLS			
February 28, 2005			
	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
Assets			
Current and other assets	\$ 169,262	\$ 51,298	\$ 220,560
Capital assets - net of accum dep	-	909,523	909,523
Total assets	<u>169,262</u>	<u>960,821</u>	<u>1,130,083</u>
Liabilities			
Current liabilities	5,303	20,548	25,851
Bonds payable, long-term portion	-	527,064	527,064
Total liabilities	<u>5,303</u>	<u>547,612</u>	<u>552,915</u>
Net Assets			
Investment in capital assets, net of related debt	-	367,459	367,459
Unrestricted	<u>163,959</u>	<u>45,750</u>	<u>209,709</u>
Total net assets	<u>\$ 163,959</u>	<u>\$ 413,209</u>	<u>\$ 577,168</u>

At the end of the fiscal year, the Village of Boyne Falls is able to report positive balances in all categories of net assets. The first portion of the Village's net assets is its investment in capital assets (land, buildings/building improvements, and equipment); less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets in providing services; consequently, these assets are not available for future spending.

The remaining portion of net assets – unrestricted net assets – may be used at the Village's discretion to meet ongoing obligations.

The results for the Village as a whole are reported in the Statement of Activities, which is summarized below:

VILLAGE OF BOYNE FALLS
Year Ended February 28, 2005

	Governmental Activities	Business-Type Activities	Total
Revenue			
Program revenue:			
Charges for services	\$ 489	\$ 72,543	\$ 73,032
General revenue:			
Property taxes	56,835	-	56,835
State shared revenues	82,715	-	82,715
Interest and rentals	721	205	926
Other	1,548	1,750	3,298
	<u>142,308</u>	<u>74,498</u>	<u>216,806</u>
Total revenues			
	<u>142,308</u>	<u>74,498</u>	<u>216,806</u>
Expenses			
General government	55,887	-	55,887
Public safety	8,278	-	8,278
Public works	52,764	-	52,764
Recreation and cultural	6,996	-	6,996
Other-employee insurance and benefits	31,950	-	31,950
Water supply	-	74,395	74,395
	<u>155,875</u>	<u>74,395</u>	<u>230,270</u>
Total expenses			
	<u>155,875</u>	<u>74,395</u>	<u>230,270</u>
Change in net assets	(13,567)	103	(13,464)
Net assets - beginning of year	<u>177,526</u>	<u>413,106</u>	<u>590,632</u>
Net assets - end of year	<u>\$ 163,959</u>	<u>\$ 413,209</u>	<u>\$ 577,168</u>

As reported above, the Village recorded \$230,270 of expenses. The Village's activities were funded primarily with State, water usage charges and property tax revenues.

The Village experienced a decrease in net assets of \$13,464.

Business-Type Activities Financial Analysis

As of year end, the Village business-type activity, the Water Supply Fund reported total net assets of approximately \$413,209 which is \$103 more than the beginning of the year. Major improvements were completed to the Village's water supply system during the year. The project with a total cost of \$565,612 was financed primarily with bonds issued through Charlevoix County. The Village has a contractual obligation to the County to repay these bonds. These are limited tax general obligations of both the Village and County. The water usage fees have been increased significantly to pay for the cost of these improvements.

The Village's Funds

As of year end, the Village governmental funds reported a combined fund balance of \$163,959 which is \$23,133 less than the beginning of the year. The decrease was mainly due to General Fund and Local Street expenditures exceeding revenues. The \$9,566 General Fund debt payment on the truck was the last payment required. There were no new general capital assets purchased during the year.

General Fund Budgetary Highlights

Final budgeted revenues and expenditures were the same as originally adopted as no amendments were made to the original budget.

Final actual revenues were less than budgeted. An amount of \$20,000 was budgeted for interfund labor fees. However, the labor charges were directly allocated to the various funds with the reimbursement to the General Fund accounted for as part of the interfund receivable. Most other revenue categories had actual revenue that was slightly lower than budgeted.

Final actual expenditures were less than budgeted. The largest budget variances related to lower actual expenditures for sidewalks, insurance and other being less than budgeted.

Major and Local Street Fund Budgetary Highlights

Final budgeted revenues and expenditures were also the same as originally adopted as no amendments were made to these budgets either.

Final actual revenues for both funds were about \$10,500 greater than budgeted. State revenues for the Major Street Fund were responsible for most of this variance.

Final actual expenditures were less than budgeted.

Although, both variances are favorable, the budget was prepared with budgeted expenditures exceeding budgeted revenues by \$17,000 in the Major Street Fund and \$12,000 in the Local Street Fund.

Capital Asset and Long Term-Debt Activity:

At the end of the year the capital assets, net of accumulated depreciation and long-term debt were:

Capital Assets

Governmental Activities: Not reported

Business Type Activity: \$ 909,523

Long term Debt

Governmental Activities: None

Business Type Activity: \$542,064

Major capital activity during the year included completion of the Water Supply system improvements.

Major debt activity during the year included financing those improvements with bonds issued through Charlevoix County and the first \$15,000 annual payment on those bonds. The final payment of \$9,566 was also made on a truck note.

Financial Contact

The Village's financial statements are designed to present users with a general overview of the Village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed towards the Village Clerk, Village of Boyne Falls.

VILLAGE OF BOYNE FALLS
Statement of Net Assets
February 28, 2005

	Governmental Activities	Business-Type Activity	Total
<u>Assets</u>			
Current Assets			
Cash	\$ 108,810	\$ 58,522	\$ 167,332
Receivables:			
Taxes	5,450	-	5,450
Accounts	-	10,925	10,925
Internal balances	18,149	(18,149)	-
Due from other governmental units	19,170	-	19,170
Prepaid expenditures	17,683	-	17,683
Total current assets	169,262	51,298	220,560
Noncurrent Assets			
Capital assets	-	1,158,737	1,158,737
Less: accumulated depreciation	-	(249,214)	(249,214)
Total noncurrent assets	-	909,523	909,523
Total assets	\$ 169,262	\$ 960,821	\$ 1,130,083
<u>Liabilities and Net Assets</u>			
Current Liabilities			
Accounts payable	\$ 2,952	\$ -	\$ 2,952
Accrued expenses	2,351	-	2,351
Accrued interest	-	5,548	5,548
Bonds payable, due within one year	-	15,000	15,000
Total current liabilities	5,303	20,548	25,851
Noncurrent Liabilities			
Bonds payable	-	527,064	527,064
Total liabilities	5,303	547,612	552,915
Net Assets			
Invested in capital assets, net of related debt	-	367,459	367,459
Unrestricted	163,959	45,750	209,709
Total net assets	163,959	413,209	577,168
Total liabilities and net assets	\$ 169,262	\$ 960,821	\$ 1,130,083

VILLAGE OF BOYNE FALLS
Statement of Activities
For the Year Ended February 28, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 55,887	\$ -	\$ -	\$ -	\$ (55,887)	\$ -	\$ (55,887)
Public safety	8,278	-	-	-	(8,278)	-	(8,278)
Public works	52,764	-	-	-	(52,764)	-	(52,764)
Recreation and cultural	6,996	489	-	-	(6,507)	-	(6,507)
Employee insurance and benefits	31,950	-	-	-	(31,950)	-	(31,950)
Total governmental activities	155,875	489	-	-	(155,386)	-	(155,386)
Business-type activity:							
Water Supply	74,395	72,543	-	-	-	(1,852)	(1,852)
Total primary government	\$ 230,270	\$ 73,032	\$ -	\$ -	(155,386)	(1,852)	(157,238)
General revenues:							
Property taxes					56,835	-	56,835
State-shared revenues					82,715	-	82,715
Interest and rentals					721	205	926
Miscellaneous					1,548	1,750	3,298
Total general revenues					141,819	1,955	143,774
Change in net assets					(13,567)	103	(13,464)
Net assets - beginning of year					177,526	413,106	590,632
Net assets - end of year					\$ 163,959	\$ 413,209	\$ 577,168

VILLAGE OF BOYNE FALLS
Balance Sheet
Governmental Funds
February 28, 2005

				Total Governmental Funds
<u>Assets</u>	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	
Cash	\$ 88,022	\$ 17,018	\$ 3,770	\$ 108,810
Taxes receivable	5,450	-	-	5,450
Due from other funds	53,264	-	-	53,264
Due from other governmental units	11,636	5,923	1,611	19,170
Prepaid expenditures	17,683	-	-	17,683
	<u>176,055</u>	<u>22,941</u>	<u>5,381</u>	<u>204,377</u>
Total assets	<u>\$ 176,055</u>	<u>\$ 22,941</u>	<u>\$ 5,381</u>	<u>\$ 204,377</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ -	\$ 1,476	\$ 1,476	\$ 2,952
Accrued expenses	2,351	-	-	2,351
Due to other funds	-	13,896	21,219	35,115
	<u>2,351</u>	<u>15,372</u>	<u>22,695</u>	<u>40,418</u>
Total liabilities	<u>2,351</u>	<u>15,372</u>	<u>22,695</u>	<u>40,418</u>
 Fund balances				
Reserved for:				
Prepaid expenditures	17,683	-	-	17,683
Unreserved	156,021	7,569	(17,314)	146,276
	<u>173,704</u>	<u>7,569</u>	<u>(17,314)</u>	<u>163,959</u>
Total fund balances	<u>173,704</u>	<u>7,569</u>	<u>(17,314)</u>	<u>163,959</u>
Total liabilities and fund balances	<u>\$ 176,055</u>	<u>\$ 22,941</u>	<u>\$ 5,381</u>	<u>\$ 204,377</u>

VILLAGE OF BOYNE FALLS
Reconciliation of Governmental Funds Balance Sheet to the
Statement of Net Assets
February 28, 2005

Total Fund Balance - Governmental Funds	<u>\$ 163,959</u>
Net Assets of Governmental Activities	<u><u>\$ 163,959</u></u>

VILLAGE OF BOYNE FALLS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended February 28, 2005

	General	Major Street	Local Street	Total Governmental Funds
Revenues				
Taxes	\$ 56,835	\$ -	\$ -	\$ 56,835
State revenues	40,049	33,304	9,362	82,715
Charges for services	489	-	-	489
Interest and rentals	721	-	-	721
Other	1,548	-	-	1,548
Total revenues	99,642	33,304	9,362	142,308
Expenditures				
Current:				
General government	55,887	-	-	55,887
Public safety	8,278	-	-	8,278
Public works	3,705	25,778	23,281	52,764
Recreation and cultural	6,996	-	-	6,996
Employee insurance and benefits	31,950	-	-	31,950
Debt service	9,566	-	-	9,566
Total expenditures	116,382	25,778	23,281	165,441
Excess (deficiency) of revenues over expenditures	(16,740)	7,526	(13,919)	(23,133)
Other financing sources (uses)				
Operating transfers in	-	-	8,326	8,326
Operating transfers out	-	(8,326)	-	(8,326)
Total other financing sources (uses)	-	(8,326)	8,326	-
Net change in fund balances	(16,740)	(800)	(5,593)	(23,133)
Fund balances(deficit) - beginning of year	190,444	8,369	(11,721)	187,092
Fund balances(deficit) - end of year	\$ 173,704	\$ 7,569	\$ (17,314)	\$ 163,959

VILLAGE OF BOYNE FALLS
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended February 28, 2005

Net Change in Fund Balances - Total Governmental Funds

\$ (23,133)

Amounts reported for governmental activities in the statement of activities
are different because:

Repayment of loan principal is an expenditure in the governmental
funds, but the repayment reduces loans payable in the statement
of net assets. This is the amount of principal paid on loans.

9,566

Change in Net Assets of Governmental Activities

\$ (13,567)

VILLAGE OF BOYNE FALLS
Statement of Net Assets
Proprietary Fund
February 28, 2005

Business -Type Activity
Enterprise Fund
Water
Supply

Assets

Current Assets

Cash	\$ 58,522
Accounts receivable	10,925
Total current assets	<u>69,447</u>

Noncurrent Assets

Capital assets	1,158,737
Less: accumulated depreciation	<u>(249,214)</u>
Total noncurrent assets	<u>909,523</u>
Total assets	<u><u>\$ 978,970</u></u>

Liabilities and Net Assets

Current Liabilities

Due to General Fund	\$ 18,149
Accrued interest	5,548
Bonds payable, due within one year	<u>15,000</u>
Total current liabilities	<u>38,697</u>

Noncurrent Liabilities

Bonds payable	<u>527,064</u>
Total liabilities	<u>565,761</u>

Net Assets

Invested in capital assets, net of related debt	367,459
Unrestricted	<u>45,750</u>
Total net assets	<u>413,209</u>
Total liabilities and net assets	<u><u>\$ 978,970</u></u>

VILLAGE OF BOYNE FALLS
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended February 28, 2005

	Business-Type Activity Enterprise Fund
	Water Supply
Operating revenues	
Charges for services	\$ 72,543
Operating expenses	
Personal services	14,639
Equipment rental	1,408
Utilities	4,611
Other supplies and expenses	5,677
Depreciation	28,758
Other	5,935
Total operating expenses	61,028
Operating income (loss)	11,515
Nonoperating revenues	
Interest	205
Miscellaneous	1,750
Total nonoperating revenues	1,955
Nonoperating expenses	
Interest	13,367
Total nonoperating revenues (expenses)	(11,412)
Change in net assets	103
Total net assets - beginning	413,106
Total net assets - ending	\$ 413,209

VILLAGE OF BOYNE FALLS
Statement of Cash Flows
Proprietary Fund
For the Year Ended February 28, 2005

Business-Type Activity
Enterprise Fund

Water
Supply

**Cash flows from operating
activities**

Receipts from customers
Payments to employees
Payments to suppliers

\$ 72,572
(14,639)
(19,095)

Net cash provided (used)
by operating activities

38,838

**Cash flows from capital and related
financing activities**

Acquisition and construction of capital assets
Bond proceeds
Principal paid on bonds
Interest paid on notes
Net cash provided by miscellaneous
non-operating activities

(17,087)
11,710
(15,000)
(10,819)
1,750

Net cash provided (used) for capital
and related financing activities

(29,446)

**Cash flows from investing
activities**

Interest received

205

Net increase (decrease) in cash

9,597

Cash, beginning

48,925

Cash, ending

\$ 58,522

Reconciliation of operating
income to net cash provided (used) by
operating activities:

Operating income (loss)

\$ 11,515

Adjustments to reconcile operating income to
net cash provided by operating activities:

Depreciation

28,758

(Increase) decrease in accounts receivable

29

Increase (decrease) in accounts payable

-

Increase (decrease) in due to other funds

(1,464)

Total adjustments

27,323

Net cash provided (used) by
operating activities

\$ 38,838

VILLAGE OF BOYNE FALLS
NOTES TO FINANCIAL STATEMENTS
February 28, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village, incorporated in 1893, operates under a Council-President form of government and provides services to its residents for: public safety, highways and streets, sanitation, public improvements, planning and zoning, recreation and general administrative services.

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The Village's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Pronouncements of the FASB issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary funds in accordance with GASB Statement No. 20. The following is a summary of the significant policies used by the Village of Boyne Falls:

REPORTING ENTITY

The accompanying financial statements have been prepared in accordance with criteria established by GASB No. 14, and amended by GASBS No. 39. GASBS 14 states that the primary basis for determining whether outside agencies and organizations should be considered component units of the Village and included in the Village's financial statements is financial accountability. Financial accountability has been defined as follows: A primary government has substantive authority to appoint a voting majority of the component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial burdens on the primary government; and the component unit is fiscally dependent on the primary government. The Village has no component units.

The Boyne Falls Polish Festival Committee should be controlled by the Village and be included in the Village's basic financial statements as an enterprise fund. The financial information of the Committee are omitted from these financial statements. The effect of this omission has not been determined.

BASIC FINANCIAL STATEMENTS – OVERVIEW

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and the fund financial statements categorize primary government activities as either governmental or business-type. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. As a general rule the effect of interfund activity, such as overhead costs, has been eliminated from these statements. The government-wide focus is more on operational efficiency, the sustainability of the Village as an entity and the change in the Village's net assets resulting from the current year's activities.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS –CONTINUED

In the government-wide Statement of Net Assets, both the governmental and business-type activities are presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Village's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants and capital grants.

The program revenues must be directly associated with the function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenue.

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Village are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis in the fund financial statements is on the major funds in the governmental or business-type categories. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds) for the determination of major funds.

Governmental Funds

The following is a description of the major governmental funds of the Village:

General Fund – The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Major and Local Street Funds – The Street Funds account for the operation of the street departments. Primary financing is provided by the Village's share of state gasoline taxes. State law requires these gasoline taxes be used to maintain streets.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL – CONTINUED

Proprietary Funds

The focus of the proprietary funds is upon the determination of operating income, changes in fund net assets, financial position, and cash flows, which is similar to for-profit businesses. The following is a description of the major proprietary fund of the Village:

Water Supply Fund – The Water Supply Fund is an Enterprise Fund. The fund will be financed and operate in a manner similar to a private enterprise. The intent is that costs (expenses, including depreciation) of providing water service to the general public will be recovered through user charges.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Water Supply Fund are charges to customers for sales and services. Operating expenses for this fund includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the full accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred.

All proprietary funds and agency funds are accounted for using the full accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Unbilled Water Supply Fund utility service receivables are recorded at year-end.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned, as long as they are both available and measurable. Revenues are available when received within the current period or within 60 days after year end. Expenditures are recorded in the accounting period in which the liability is incurred, as under full accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand and demand deposits.

Interfund Receivables/Payables

Outstanding balances between funds are reported as "due to/from other funds" on the balance sheet of the fund financial statements and as "internal balances" on the Statement of Net Assets of the government-wide financial statements.

Capital Assets

Capital assets, which include property, buildings, and equipment, are reported in the business-type activities column in the government-wide financial statements. Capital assets are recorded by the Village when the initial individual costs are equal to or greater than \$1,000 and an estimated useful life in excess of 2 years for all asset types except for land. Land is capitalized if cost exceeds \$1. General capital assets in governmental activities have not been recorded. The effect of their omission has not been determined.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, buildings and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building Improvements	40 years
Water Supply Systems and Equipment	25 to 40 years

Long-Term Obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

COMPARATIVE DATA

Comparative data for the prior year is not included in the Village's financial statements.

ACCOUNTING CHANGE

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Effective March 1, 2004, the Village implemented the provisions of GASB No. 34. Changes to the Village's financial statements as a result of GASB No. 34 are as follows:

- A Management's Discussion and Analysis (MD&A) section providing analysis of the Village's overall financial position and results of operations.
- Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using full accrual accounting for all of the Village's activities.
- A change in the fund financial statements with a focus on major funds.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all Governmental funds of the Village.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 1, the President submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures/expenses and the means of financing them.
2. A public hearing is conducted at Village Hall to obtain taxpayer comments.
3. Prior to March 1, the fund budgets are legally enacted through passage of an appropriation act.
4. The budget is adopted at the fund level consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Village Council during the year, and lapse at year-end.

The General Fund Budgetary information includes equipment rental charges by the General Fund to various other funds as revenue of the General Fund. They have been offset against General Fund expenditures in the preparation of the basic financial statements. These charges remain as equipment rental charges expenditures/expenses of the various funds charged in the basic financial statements.

The Village did not have an excess of expenditures over appropriations for the General Fund or its Street Funds.

Fund Deficits

The Village does have an accumulated fund balance deficit in the Local Street Fund. As the Village did not file a deficit elimination plan within 90 days of year-end, it is in violation of Public Act 275 of 1980.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 3: CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Village to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Village is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Cash Deposits

At February 28, 2005, the carrying amount of the Village's deposits was \$167,332 and the bank balance was \$171,730.

Federal Depository Insurance

All of the above balance in cash, \$167,332 was covered by federal depository insurance. The Village may experience significant fluctuations in deposit balances through the year.

NOTE 4: PROPERTY TAXES

Property taxes are levied and become a lien on property as of July 1 on the State taxable valuation of property in the Village of the preceding December 31. The Village bills its own property taxes. Property taxes revenues are recognized when levied.

The Village is permitted by statute to levy taxes, subject to State Headlee and Truth in Taxation provisions, up to \$12.50 per \$1,000 of taxable valuation for general governmental services other than the payment of principal and interest on general obligation long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. The 2004 State taxable valuation of the Village of Boyne Falls totaled \$5,463,042.

The tax rate for the year ended February 28, 2005, was as follows:

<u>Purpose</u>	<u>Rate/Taxable Valuation</u>
General governmental services	\$10.2728 per \$1,000

NOTE 5: RESERVES OF FUND BALANCE

Reserved:

<u>Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Prepaid insurance expenditures	\$ 17,683

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 6: INTERFUND RECEIVABLES AND PAYABLES

The interfund balances are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 53,264	\$ -
Major Street	-	21,219
Local Street	-	13,896
Water Supply	-	18,149
	<u>\$ 53,264</u>	<u>\$ 53,264</u>

The interfund balances are for labor and rental charges from the General fund to the other Village Funds.

NOTE 7: INTERFUND TRANSFERS

Operating transfers are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Major Street	\$ -	\$ 8,326
Local Street	8,326	-
	<u>\$ 8,326</u>	<u>\$ 8,326</u>

The operating transfers are for general operations of the Local Street Fund.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 8: CAPITAL ASSETS

Capital asset activity, excluding governmental activities, of the Village for the current year was as follows:

	Balance March 1, 2004	Additions	Deletions	Balance February 28, 2005
Business-type Activity				
Capital assets not being depreciated:				
Land	\$ 1	\$ -	\$ -	\$ 1
Capital assets being depreciated:				
Buildings	6,630	-	-	6,630
Equipment	1,134	-	-	1,134
Water mains and water wells	1,133,885	17,087	-	1,150,972
Subtotal	1,141,649	17,087	-	1,158,736
Less accumulated depreciation for:				
Buildings	6,630	-	-	6,630
Equipment	1,134	-	-	1,134
Water mains and water wells	212,692	28,758	-	241,450
Subtotal	220,456	28,758	-	249,214
Net capital assets being depreciated	1,362,105	(11,671)	-	909,522
Business-type activity net capital assets	<u>\$ 1,362,106</u>	<u>\$ (11,671)</u>	<u>\$ -</u>	<u>\$ 909,523</u>

Proprietary fund type property, plant and equipment at February 28, 2005 are summarized as follows:

	Enterprise
Land	\$ 1
Buildings	6,630
Equipment	1,134
Water mains and water wells	1,150,972
Total	\$ 1,158,737
Less: accumulated dep.	(249,214)
Net	<u>\$ 909,523</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 9: LONG-TERM DEBT

The following is a summary of the Village's long-term debt transactions for the year ended February 28, 2005:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Governmental Activities					
Note payable	<u>\$ 9,566</u>	<u>\$ -</u>	<u>\$ 9,566</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type Activity					
Bonds payable	<u>\$ 545,354</u>	<u>\$ 11,710</u>	<u>\$ 15,000</u>	<u>\$ 542,064</u>	<u>\$ 15,000</u>

Long-term liabilities payable at February 28, 2005 is composed of the following individual issue:

Business-Type Activity:

\$542,064, 2003 Charlevoix County Water Supply System Series 2003 Bonds due in annual installments of \$15,000 to \$25,000 through October 1, 2032; interest at 2.50%.

\$542,064

The annual debt service requirements to maturity for all bonds outstanding excluding premium and refunding deferrals, as of February 28, 2005, are as follows:

<u>Year Ending February 28</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 15,000	\$ 13,591
2007	15,000	13,316
2008	15,000	12,941
2009	15,000	12,566
2010	15,000	12,191
2011 - 2015	75,000	55,328
2016 - 2020	100,000	44,703
2021 - 2025	100,000	32,203
2026 - 2030	125,000	18,453
2031 - 2032	<u>67,064</u>	<u>3,572</u>
Total	<u>\$ 542,064</u>	<u>\$ 218,864</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 10: SIMPLIFIED EMPLOYEE PENSION PLAN

The Village established an Individual Retirement Account to provide retirement benefits for their only full-time employee of \$3,000 annually. Additionally, the Village's part time employee position is eligible for matching contributions of up to \$500 per year after one year of service. For the year ended February 28, 2005, the Village made the required contribution of \$3,000.

NOTE 11: RISK MANAGEMENT

The Village belongs to the Michigan Township Participating Plan, a public entity risk pool currently operating as a common risk management and insurance program for various municipalities throughout the state. The Village pays an annual premium for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for 100% of its claims.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF BOYNE FALLS
Budgetary Comparison Schedule
General Fund
For the Year Ended February 28, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
Beginning budgetary fund balance	\$ 98,845	\$ 98,845	\$ 190,444	\$ 91,599
Resources (inflows):				
Taxes	59,000	59,000	56,835	(2,165)
State revenues	42,500	42,500	40,049	(2,451)
Interfund labor fees	20,000	20,000	-	(20,000)
Equipment rental	25,000	25,000	20,065	(4,935)
Charges for services	500	500	489	(11)
Interest and rentals	500	500	721	221
Other	5,050	5,050	1,548	(3,502)
Amounts available for appropriations	251,395	251,395	310,151	58,756
Charges to appropriations (outflows):				
General government:				
Council	1,800	1,800	1,800	-
President	1,000	1,000	1,000	-
Elections	500	500	505	5
Professional services	1,500	1,500	126	(1,374)
Clerk / Treasurer	5,760	5,760	6,160	400
Publishing	1,000	1,000	979	(21)
Hall utilities and maintenance	4,300	4,300	4,120	(180)
Garage	32,000	32,000	37,451	5,451
Insurance	25,000	25,000	20,838	(4,162)
Other	11,200	11,200	2,973	(8,227)
Total general government	84,060	84,060	75,952	(8,108)
Public safety:				
Police	7,900	7,900	6,528	(1,372)
Hydrant rental	1,750	1,750	1,750	-
Total public safety	9,650	9,650	8,278	(1,372)
Public works:				
Sidewalks	8,000	8,000	-	(8,000)
Street lights	5,000	5,000	3,705	(1,295)
Total public works	13,000	13,000	3,705	(9,295)
Recreation and cultural:				
Pavilion	8,500	8,500	6,996	(1,504)
Employee insurance and benefits	33,050	33,050	31,950	(1,100)
Debt service	9,516	9,516	9,566	50
Total charges to appropriations	157,776	157,776	136,447	(21,329)
Ending budgetary fund balance	<u>\$ 93,619</u>	<u>\$ 93,619</u>	<u>\$ 173,704</u>	<u>\$ 80,085</u>

VILLAGE OF BOYNE FALLS
Budgetary Comparison Schedule
Major Street Fund
For the Year Ended February 28, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
Beginning budgetary fund balance	\$ 31,789	\$ 31,789	\$ 8,369	\$ (23,420)
Resources (inflows):				
State revenues	<u>25,000</u>	<u>25,000</u>	<u>33,304</u>	<u>8,304</u>
Amounts available for appropriations	<u>56,789</u>	<u>56,789</u>	<u>41,673</u>	<u>(15,116)</u>
Charges to appropriations (outflows):				
Public works	<u>36,000</u>	<u>36,000</u>	<u>25,778</u>	<u>(10,222)</u>
Transfers to Local Street Fund	<u>6,100</u>	<u>6,100</u>	<u>8,326</u>	<u>2,226</u>
Total charges to appropriations	<u>42,100</u>	<u>42,100</u>	<u>34,104</u>	<u>(7,996)</u>
Ending budgetary fund balance	<u>\$ 14,689</u>	<u>\$ 14,689</u>	<u>\$ 7,569</u>	<u>\$ (7,120)</u>

VILLAGE OF BOYNE FALLS
Budgetary Comparison Schedule
Local Street Fund
For the Year Ended February 28, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
Beginning budgetary fund balance	\$ 22,423	\$ 22,423	\$ (11,721)	\$ (34,144)
Resources (inflows):				
State revenues	10,000	10,000	9,362	(638)
Transfers from Major Street Fund	<u>6,100</u>	<u>6,100</u>	<u>8,326</u>	<u>2,226</u>
Amounts available for appropriations	38,523	38,523	5,967	(32,556)
Charges to appropriations (outflows):				
Public works	<u>28,000</u>	<u>28,000</u>	<u>23,281</u>	<u>(4,719)</u>
Ending budgetary fund balance	<u>\$ 10,523</u>	<u>\$ 10,523</u>	<u>\$ (17,314)</u>	<u>\$ (27,837)</u>



Hill • Schroderus & Co., LLP

Certified Public Accountants & Consultants

August 22, 2005

Village President and Council
Village of Boyne Falls
Boyne Falls, Michigan

In planning and performing our audit of the financial statements of the Village of Boyne Falls for the year ended February 28, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Village of Boyne Fall's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described below we consider the first general comment to be a material weakness.

General – We were unable to obtain sufficient competent evidential matter to express an opinion on the financial statements due to incomplete Village records. Several changes in the Clerk's position and the failure to adequately address previous audit comments were largely responsible for this condition. It is important that the Village Clerk and Treasurer perform their duties in a timely and organized manner. Assistance and or training should be obtained as necessary.

Chart of Accounts – P.A. 2 of 1968, as amended, requires that local units of government follow the Michigan Uniform Chart of Accounts. The Village should review the Michigan Uniform Chart of Accounts and make necessary adjustments.

Budgeting Procedures – The Village is required to comply with the P.A. 621 of 1978 (i.e. The Uniform Budgeting and Accounting Act). The Village's budget was in compliance except as follows:

- A. The Appropriation Act stated in the minutes should include; beginning estimated fund balance, revenues by source, expenditures and estimated ending fund balance, by fund.
- B. The budget document should be amended during the fiscal year as necessary.

The Village's review of P.A. 621 of 1978 would help alleviate potential noncompliance in future budgets.

Polish Festival – We suggest the financial transactions of this fund be subject to the same controls as are other funds of the Village, as the Village has the same responsibility for these financial transactions as other Village transactions.

Deficit Fund Balance - The Village has an accumulated fund balance deficit in the Local Street Fund of \$17,314. Public Act 275 of 1980 requires the Village to file a deficit elimination plan within 90 days after year end for any fund that ended the year in a deficit condition. The Local Street Funds is to receive an appropriation from the General Fund to eliminate the deficit.

General Capital Assets – Generally accepted accounting standards require the accounting for general capital assets in addition to those used in the Water Supply Fund. We recommend the Village adopt a capitalization policy and prepare the necessary accounting records to formally account for it's vehicles, hall, street improvements, etc.

Inter-fund Transactions and Other Matters

We have prepared an exit conference outline to go over the accounting for interfund transactions and other matters related to the Village's specific accounting procedures.

This report is intended solely for the information and use of Village President and Council and is not intended to be and should not be used by anyone other than the specified parties.

If we may be of further assistance, please do not hesitate to contact us.

Sincerely,

Hill, Schroderus & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan